

Digest of

A Performance Audit of Motor Vehicle Registration

This audit was requested by the General Government and Capital Facilities Joint Appropriations Subcommittee. During the 1993 legislative session, counties requested a significant increase in the compensation they receive to perform state motor vehicle functions under contract. During the session, a portion of the additional funding request was appropriated, and this audit was requested. A major factor in determining the compensation which counties deserve is the efficiency of the motor vehicle system. Early in our review of system costs it became apparent that neither customers nor taxpayers benefited from some of the existing practices. Therefore, our audit work included identifying ways to reduce customer inconveniences and administrative inefficiencies.

Rather than being designed for efficiency, Utah's motor vehicle system evolved with both state and county government involvement. Historically, the state registered vehicles for use on public roads while counties collected property tax on vehicles. Although customer inconveniences and administrative inefficiencies have been discussed for many years, the involvement of both state and county organizations have made it difficult to streamline the system. Some problems remain unsolved largely due to the overlapping state and county jurisdictions each guarding their own interests.

The following summaries describe the major findings and conclusions of the report:

Aggressive Legislative Direction Can Reform Motor Vehicle System. Changes in some customer service delivery practices are long overdue. Providing one-check, one-line service through a single government agency in each county benefits customers and is administratively efficient. Prior studies and legislative action have led to improvements in many counties but not in the state's largest counties. In contrast, other states have been able to achieve the consolidation benefits that have eluded Utah.

To overcome the system's historic resistance to change, we feel the Legislature must provide strong direction. An historical perspective helps illustrate how difficult it has been to change the motor vehicle system. Over the past decade, the Legislature has conducted studies, passed resolutions, and enacted laws trying to bring change with modest results. For example, in 1987, the Legislature passed a resolution directing "*the State Tax Commission and the counties to negotiate for the administration and collection of various personal property fees and taxes so as to eliminate duplication in functions and staffing.*" The fact that this change has yet to occur in the state's largest counties indicates that more forceful Legislative action is needed. Specifically, we recommend the **Utah Code** be amended to require that a single agency in each county provides customer service.

Sharing Customer Service Costs Requires More Funding and New Distribution Formula. During the 1993 session, counties requested \$850,000 additional funding for

customer service costs. The Legislature increased funding by \$150,000 and asked us to study the issue. According to a cost-sharing model developed by the Office of the Legislative Auditor General (OLAG), about \$200,000 additional state appropriation is needed to fund existing workload patterns. Of that amount, about \$130,000 is needed for current contract counties and \$70,000 for non-contract counties. Because counties with a small workload cannot be as productive as those with a large workload, we developed a model which pays counties a decreasing rate as workload increases. The OLAG model would more than double payments to the smallest counties, while paying large counties about the same. Because small counties cannot be as productive as those with a larger workload, we recommend the Tax Commission adopt a variable rate reimbursement schedule.

We also estimate the compensation needed in the future for single-agency offices in each county. Without knowing which agency may provide customer service, we applied our cost-sharing model to estimate funding that either party should pay the other. For example, in Salt Lake County, there should be either a county-run office with the state contributing about \$800,000 or a state-run office with the county contributing about \$350,000. We recommend that the Tax Commission negotiate with each county where both the state and county provide customer service to establish a single-agency office.

Duplication of Effort Creates Inefficiencies. Finally, we address two major sources of inefficiency in Utah's motor vehicle system. First, the state's information system does not provide the counties with timely information to meet taxpayer needs. As a result, many counties have developed duplicate information systems. Some other states have systems which check the accuracy of data at the point of transaction and electronic transfer of information to a central database. Such a system would benefit both levels of government by reducing transaction errors and eliminating the need for duplicate staff and systems. An improved system could also provide more timely responses to public or law enforcement inquiries and support future customer service innovations. We recommend the Tax Commission study the needs of the motor vehicle information system, particularly examining the costs and benefits of a system with on-line edit and electronic data transfer capabilities.

Second, we discuss how a depreciation approach to assigning vehicle values could reduce administrative costs, while being as fair to vehicle owners. The current "blue book" method of valuing vehicles for property taxes requires a duplication of effort from one year to the next. The large workload of re-entering values for approximately 30,000 types of vehicles every year creates many errors requiring both Tax Commission and county effort to identify and correct. While a depreciation approach cannot be completely fair to all taxpayers in all instances, neither is the current system. Besides the many errors which result, compromises inherent in the current system's design sometimes ignore factors which affect vehicle values. Because it best balances the efficiency and fairness concerns, we recommend that the Tax Commission adopt a depreciation method of valuing vehicles.